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FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 8/9/77
TAGS: EAID, EFIN
SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE (TA) GRANT
FOR TAGO RIVER IRRIGATION PROJECT AND TA FOR AERIAL
MAPPING FOR SECOND MINDANAO IRRIGATION STUDY (PHILIPPINES)

SUMMARY: ADB MANAGEMENT PROPOSES \$22.0 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL RESOURCES AND \$100,000 TECHNICAL
ASSISTANCE (TA) GRANT TO GOVT OF THE PHILIPPINES TO FINANCE
FOREX COST AND PART OF LOCAL CURRENCY COST OF CONSTRUCTION,
PLUS INTEREST AND OTHER CHARGES DURING CONSTRUCTION, OF AN
IRRIGATION PROJECT IN TAGO, SURIGAO DEL SUR PROVINCE, MINDANAO,
AND FOREX COST OF THE SECOND MINDANAO IRRIGATION STUDY (MIS II)
FOR PREPARATION OF TWO PRIORITY PROJECTS IN BUKIDNON AND
KABULNAN, PROPOSAL INCLUDES, IN ADDITION, A \$200,000 TA
GRANT, ALSO TO GOVT OF PHILIPPINES TO COVER FOREX COST OF
AERIAL MAPPING FOR MIS II, TO BE FINANCED BY EUROPEAN ECONOMIC
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COMMUNITY (EEC) UNDER FINANCING ARRANGEMENTS BETWEEN
BANK AND EEC CONCLUDED JAN 7, 1977. USADB RECOMMENDS
FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC. R41-77 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN AND TA GRANTS POUCHED ADDRESSEES MAY 3. BOARD CON-
SIDERATION SCHEDULED FOR MAY 19, 1977.

2. ADB MANAGEMENT PROPOSING \$22.0 MILLION LOAN FROM ORDINAR CAPITAL RESOURCES AND TA GRANTS OF \$100,000 AND \$200,000 TO GOVT OF PHILIPPINES. LOAN PROCEEDS, EXCEPTING \$350,000 OF THE TOTAL AMOUNT, WILL FINANCE FOREX COST AND PART OF LOCAL CURRENCY COST OF CONSTRUCTION, PLUS INTEREST AND OTHER CHARGES DURING CONSTRUCTION, OF IRRIGATION AND RELATED FACILITIES INCLUDING ROADS, BRIDGES, DIKES, RURAL WATER SUPPLY AND HEALTH FACILITIES, AND CONSULTANT SERVICES, IN TAGO, SURIGAO DEL SUR PROVINCE. A PORTION OF LOAN PROCEEDS (\$350,000) TOGETHER WITH THE \$100,000 TA GRANT WILL FINANCE FOREX COST OF SECOND MINDANAO IRRIGATION STUDY (MIS II) FOR PREPARATION OF TWO PRIORITY PROJECTS IN BUKIDNON AND KABULNAN, AND PREPARATION OF A MASTER PLAN FOR DEVELOPMENT OF IRRIGATION IN MINDANAO. PROCEEDS OF \$200,000 GRANT, TO BE FINANCED BY EUROPEAN ECONOMIC COMMUNITY (EEC) UNDER FINANCING ARRANGEMENTS AGREED TO BETWEEN BANK AND EEC ON JAN 7, 1977, WILL COVER FOREX COST AND PART OF LOCAL CURRENCY COST OF AERIAL MAPPING FOR MIS II. PROPOSED LOAN TERMS ARE 30 YEAR MORTIZATION INCLUDING SEVEN YEAR GRACE PERIOD, 8.7 PERCENT INTEREST. GOVT OF PHILIPPINES TO BE BORROWER, NATIONAL IRRIGATION ADMINISTRATION (NIA) TO BE EXECUTING AGENCY.

3. SINCE 1972, GOVT HAS BEEN MAKING CONCERTED EFFORT TO STIMULATE GROWTH IN AGRICULTURE, TRADITIONALLY THE LAGGING SECTOR IN PHILIPPINE ECONOMY. RURAL DEVELOPMENT PROGRAMS HAVE FOCUSED ON LAND TENURE REFORMS AND ON ATTAINING LIMITED OFFICIAL USE

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SELF-SUFFICIENCY IN RICE THROUGH INCREASES IN IRRIGATION FACILITIES, MORE WIDESPREAD USE OF HIGH YIELDING VARIETIES (HYV) AND OTHER AGRICULTURAL INPUTS, AS WELL AS CREDIT AND OTHER SUPPORTING SERVICES. WHILE THESE EFFORTS HAVE YIELDED IMPRESSIVE RESULTS IN TERMS OF PRODUCTION INCREASES IN PAST TWO YEARS, YIELDS REMAIN LOW AND IMPORTATION OF RICE CONTINUES TO BE NECESSARY. SOME 134,000 M.T. AND 140,000 M.T. WERE IMPORTED IN 1975 AND 1976, RESPECTIVELY.

4. SHORTAGE OF IRRIGATION WATER REMAINS MAJOR LIMITING CONSTRAINT TO MORE PRODUCTIVE USE OF LAND. ONLY ONE MILLION OF COUNTRY'S NINE MILLION HA. OF PADDY LAND ARE IRRIGATED, AND ONLY 30 PERCENT OF IRRIGATED AREAS HAS SUFFICIENT WATER FOR SECOND CROP. GOVT'S TEN-YEAR IRRIGATION PROGRAM (1977-86), WHICH SEEKS TO REMEDY THIS SITUATION, WOULD ADD OVER 1.40 MILLION HA. OF NEWLY IRRIGABLE LANDS, AND IMPROVE WATER DELIVERY CAPACITIES OF EXISTING IRRIGATION SYSTEMS ON ABOUT 450,000 HAS.

ABOUT 426,000 HA. (38 PERCENT) OF NEW AREAS TO BE ADDED
WILL BE IN MINDANAO.

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C O R R E C T E D C O P Y (TEXT)

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5. TAGO RIVER PROJECT AREA IS LOCATED IN SURIGAO DEL SUR
PROVINCE IN NORTHEAST MINDANAO IN A VALLEY BOUNDED ON
NORTH, WEST, AND SOUTH BY MOUNTAINS, ON EAST BY PACIFIC
OCEAN. TAGO RIVER DIVIDES AREA INTO SAN MIGUEL AND TAGO
VALLEYS OF 110 AND 60 SQ. KM., RESPECTIVELY. SAN MIGUEL
VALLEY, IN UPPER REACH, IS ABOUT 50 PERCENT
COVERED BY SECOND GROWTH FOREST LANDS; TAGO VALLEY,
BETTER DEVELOPED AGRICULTURALLY, IS FLAT LAND DRAINED
BY NUMEROUS SMALL CREEKS. DESPITE APPARTNELY ADEQUATE
RAINFALL, IRRIGATION IS NEEDED FURING DRY SPELLS FOR
INTENSIVE YEAR-AROUND FARMING OPERATIONS. TAGO RIVER
CONTAINS ADEQUATE, GOOD QUALITY WATER TO COVER IRRIGATION
REQUIREMENTS OF PROJECT. FLOODING FROM TAGO RIVER OCCURS
REGULARY DURING MONSOON SEASON (NOVEMBER TO FEBRUARY)
AND AREA SUFFERS FROMINADEQUATE DRAINAGE, EITHER NATURAL
OR ARTIFICIAL. ANNUAL FLOOD DAMAGE TO CROPS IS SUBSTANTIAL.

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6. ABOUT 10,680 HA., OR 64 PERCENT, OF PROJECT AREA IS CULTIVATED, REMAINDER BEING FALLOW OR COVERED WITH BRUSH, GRASSLAND, AND SECOND GROWTH FOREST. OF CULTIVATED AREA, PADDY (NEARLY ALL RAINFED, ONE CROP PER YEAR) ACCOUNTS FOR 67 PERCENT, CORN FOR 22 PERCENT, COCONUT FOR 11 PERCENT. GIVEN LIMITED IRRIGATION FACILITIES, FERTILIZER USE IS VERY LOW. YIELDS AVERAGE ABOUT 1.0 M.T./HA. FOR RICE, 0.6 M.T./ HA. FOR CORN.

7. POPULATION OF PROJECT AREA IS ABOUT 25,600, NEARLY ALL DEPENDENT ON FARMING. ABOUT 83 PERCENT OF FARMS ARE 3 HA. OR LESS, ONLY 3 PERCENT 7 HA. OR LARGER, AND ONE-HALF OF AREA FARMERS ARE TENANTS. AREA CONTAINS NO ELECTRICITY. WATER SUPPLY SYSTEMS AND MEDICAL FACILITIES ARE INADEQUATE, AND THERE IS HIGH INCIDENCE OF INFECTIOUS DISEASES.

8. IRRIGATION AND CIVIL WORKS PORTION OF PROPOSED TAGO RIVER PROJECT COMPRISED OF:

(A) CONSTRUCTION OF A NEW IRRIGATION SYSTEM, WITH DIVERSION DAM, TWO MAIN AND 44 LATERAL CANALS; AND TERMINAL FACILITIES FOR EFFECTIVE WATER MANAGEMENT TO COVER 10,500 HA. OF AREA FARMS;

(B) CONSTRUCTION OF 134 KM. OF DRAINAGE SYSTEMS; DEEPENING AND WIDENING OF EXISTING DRAINAGE CHANNELS, AND CONSTRUCTION OF TWO CUT-OFF CHANNELS IN TAGO RIVER;

(C) CONSTRUCTION OF 35 KM. OF FLOOD CONTROL DIKES;

(D) CONSTRUCTION OF 233 KM. OF NEW SERVICE ROADS, AND NEW 11 KM. ACCESS ROAD TO DIVERSION DAM; CONSTRUCTION OF 200 M. LONG TAGO RIVER BRIDGE, AND 13 PERMANENT BRIDGES ON NATIONAL ROAD BETWEEN ARAS-ASAN AND GAMUT; AND IMPROVEMENT OF 27 KM. OF EXISTING ROAD SYSTEM BETWEEN TAGO JUNCTION AND SAN MIGUEL;

(C) DEVELOPMENT OF 1,266 HA. OF BRUSH AND GRASS LANDS FOR PADDY CULTIVATION.
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9. PROJECT ALSO COMPRISES:

(A) TWO PILOT FARM AREAS OF ABOUT 50 HA. EACH;

(B) CONSTRUCTION OF ABOUT 80 TUBEWELLS, 80-150 FT. IN DEPTH, EACH WITH CAPACITY TO SERVE ABOUT 50 HOUSEHOLDS, AND PROVISION OF HEALTH FACILITIES;

(C) FEASIBILITY STUDIES OF TWO PRIORITY PROJECTS AND MASTER PLAN FOR FUTURE IRRIGATION DEVELOPMENT IN MINDANAO (SEE FURTHER , PARA. 13);

(D) 60 MAN-MONTHS OF CONSULTING SERVICES FOR
PROJECT IMPLEMENTATION.

10. OTHER SUPPORTING SERVICES INCLUDE STRENGTHEN-
ING OF EXTENSION SERVICES; IMPROVED CREDIT FACILITIES;
COMPLETION OF GOVT'S LAND REFORM PROGRAM IN PROJECT AREA
SO THAT ALL TENANTS ELIGIBLE FOR OWNERSHIP WILL HAVE
CERTIFICATE AND ALL OTHERS WILL BECOME LEASEHOLDERS BY
END-1978; AND EARLY COMPLETION OF GOVT'S ON-GOING PROGRAM
FOR CONSTRUCTION OF WHARF AT ARAS-ASAN PORT, WHICH IS
ESSENTIAL TO PROVIDE DISEMBARKATION FACILITIES FOR EQUIP-
MENT AND MATERIALS REQUIRED FOR PROJECT. GOVT HAS PRO-
VIDED APPROPRIATE ASSURANCES REGARDING PROVISION OF
SERVICES OF ALL OF THESE AREAS.

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11. PROPOSED TA'S, FIRST OF WHICH IS COMPONENT OF TAGO
RIVER PROJECT (PARA. 9C), ARE EXTENSION OF BANK'S TA FOR
MINDANAO IRRIGATION STUDY (MIS) INCLUDED AS PART OF BANK
FINANCING FOR PULANGUI RIVER IRRIGATION PROJECT (LOAN
NO. 225-PHI AND TA NO. 143-PHI, APPROVED BY ADB BOARD ON
26 JUNE, 1975). MIS INVOLVED FEASIBILITY STUDIES OF FOUR
HIGH PRIORITY PROJECTS IN MINDANAO. FIRST OF
THESE, SECOND DAVAO DEL NORTE IRRIGATION PROJECT, RESULTED
IN BANK LOAN (NO. 285-PHI) APPROVED 7 DEC., 1976. SECOND
IS SUBJECT TAGO RIVER PROJECT. THIRD AND FOURTH,

ALLAH RIVER AND AGUSAN II IRRIGATION PROJECTS, ARE SCHEDULED FOR COMPLETION IN JULY AND DECEMBER 1977. IN COURSE OF PREPARATION OF A MASTER PLAN FOR MIS, NIA HAS NOW IDENTIFIED TWO ADDITIONAL HIGH PRIORITY IRRIGATION PROJECTS WHICH WARRANT FEASIBILITY STUDIES, NAMELY, BUKIDNON AND KABULNAN RIVER IRRIGATION PROJECTS. PROJECTS ARE INCLUDED IN GOVT'S TEN-YEAR IRRIGATION DEVELOPMENT PROGRAM.

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12. BUKIDNON PROJECT AREA IS LOCATED IN EASTERN PART OF BUKIDNON PROVINCE WITH TOTAL IRRIGABLE AREA OF 15,000 HA., CULTIVATED MAINLY WITH RAINFED PADDY AND CORN. ADEQUATE WATER FOR IRRIGATION IS PROVIDED BY MANUPALI AND MULETA RIVERS, BOTH TRIBUTARIES OF PULANGUI RIVER, KABULNAN PROJECT AREA, WITH IRRIGABLE AREA OF 20,000 HA., IS LOCATED IN MAGUINDANAO PROVINCE. AREA IS ONLY PARTLY CULTIVATED, MAINLY TO RAINFED PADDY AND CORN. KABULNAN RIVER PROVIDES ADEQUATE WATER FOR IRRIGATION. NIA HAS SUBMITTED DETAILED PROPOSALS FOR IRRIGATION FACILITIES IN THESE AREAS. AFTER DISCUSSIONS BETWEEN GOVT AND BANK, PROJECTS WERE FOUND TO BE, PRIMA FACIE, TECHNICALLY AND ECONOMICALLY FEASIBLE, ALTHOUGH REQUIRING FURTHER FEASIBILITY STUDIES AS WELL AS PREPARATORY MAPPING (PARA. 14). GOVT HAS PRESENTED THIRD DAVAO DEL NORTE IRRIGATION PROJECT, ALSO ACCORDED HIGH PRIORITY AND INCLUDED IN TEN-YEAR IRRIGATION DEVELOPMENT PROGRAM, AS ALTERNATIVE TO KABULNAN RIVER PROJECT IN THE EVENT SECURITY SITUATION IN LATTER AREA DOES NOT PERMIT NECESSARY FIELD ACTIVITIES.

13. FIRST OF PROPOSED TA'S, KNOWN AS MIS II, WOULD PROVIDE 80 MAN-MONTHS OF CONSULTING SERVICES IN FIELDS OF IRRIGATION PLANNING, AGRONOMY, HYDROLOGY AND AGRICULTURAL ECONOMY WITH SOME OTHER EXPERTS ON SHORT-TERM BASIS, AS MAY BE REQUIRED. CONSULTANTS, TO BE ENGAGED IN ACCORDANCE WITH BANK'S GUIDELINES, WILL BE RESPONSIBLE FOR PREPARATION OF FEASIBILITY STUDIES OF IRRIGATION PROJECTS FOR THE TWO AREAS AND PREPARATION OF A MASTER PLAN FOR SYSTEMATIC DEVELOPMENT OF FUTURE IRRIGATION PROJECTS IN MINDANAO. THEY WILL BE SPECIFICALLY CHARGED WITH ON THE JOB TRAINING OF LOCAL PERSONNEL.

14. TA FOR AERIAL MAPPING WOULD BE HANDLED SEPARATELY FROM, BUT WOULD BE ESSENTIAL TO THE UNDERTAKING OF, MIS II. SCOPE OF WORK WOULD INCLUDE SELECTION OF CONTRACTORS TO LIMITED OFFICIAL USE

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CARRY OUT AERIAL PHOTOGRAPHY AND PHOTOGRAPHIC MAPPING INCLUDING GROUND CONTROL SURVEY TO COVER ABOUT 13,000 HA., AND MONITORING OF PROGRESS; PROCUREMENT OF FIELD AND OFFICE EQUIPMENT; OVERALL ADMINISTRATION. SINCE NIA, THE EXECUTING AGENCY, IS EXPERIENCED IN AERIAL MAPPING AND SINCE AMOUNT INVOLVED IS TOO SMALL TO ATTRACT FOREIGN CONTRACTORS, TENDERING FOR CONTRACTORS WILL BE LIMITED TO PREQUALIFIED LOCAL CONTRACTORS IN ACCORDANCE WITH NIA'S STANDARD PROCEDURES.

15. ESTIMATED TOTAL COST OF TAGO RIVER PROJECT AND TA FOR MIS II (THE TWO ARE LINKED IN THE FINANCING ARRANGEMENTS; COSTS OF TA FOR AERIAL MAPPING ARE COVERED IN PARA. 17) IS \$38.8 MILLION, OF WHICH \$37.5 MILLION OF TAGO RIVER, \$1.3 MILLION FOR MIS II. TOTAL FOREX COSTS ARE \$14.5 MILLION APPORTIONED AS FOLLOWS (IN US\$ THOUSANDS): IRRIGATION AND RELATED CIVIL WORKS, 3,940; CONSTRUCTION EQUIPMENT, 4,704; PILOT DEMONSTRATION SCHEME, 137; WATER SUPPLY AND HEALTH SERVICES, 245; TA FOR MIS II, 450; CONSULTING SERVICES (FOR PROJECT PROPER, NOT RELATED TO MIS II), 232; ADMINISTRATION AND FACILITIES, 220; PHYSICAL CONTINGENCIES, 1,489; AND ALLOWANCE FOR PRICE ESCALATION, 3,083. IN ADDITION TO FINANCING ALL OF PROJECT FOREX COSTS, MISSION PROPOSES FINANCE INTEREST AND OTHER

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CHARGES DURING CONSTRUCTION (ESTIMATED AT \$5.1 MILLION) AND \$2.5 MILLION OF LOCAL CURRENCY COSTS. ALSO, IN VIEW OF PROJECT-PREPARATORY ASPECT OF THE TA COMBINED WITH FORMULATION OF MASTER PLAN AND PROVISION OF ON-THE-JOB TRAINING FOR NIA STAFF, IT IS PROPOSED THAT BANK EXTEND GRANT OF \$100,000 TOWARD COST OF TA, LEAVING BALANCE OF \$350,000 IN LOAN AMOUNT. SUMMARIZING, COSTS TO BE FINANCED BY BANK ARE \$22.1 MILLION (14.5 PLUS 5.1 PLUS 2.5) OF WHICH \$22.0 MILLION AS LOAN, \$100,000 AS GRANT. GOVT WILL PROVIDE LOCAL CURRENCY REQUIREMENT (I.E. THAT PORTION NOT FINANCED BY BANK) AMOUNTING TO \$16.7 MILLION.

16. MISSION JUSTIFIES INTEREST AND LOCAL CURRENCY COST FINANCING ON BASIS OF COUNTRY'S STRAINED BALANCE OF PAYMENTS POSITION (CONSIDERING ESPECIALLY ITS HIGH DEBT SERVICE RATION), AND FACT THAT FOREX COMPONENT IS ONLY 37 PERCENT OF TOTAL PROJECT COST. INCLUDING PROPOSED INTEREST AND LOCAL CURRENCY FINANCING, BANK'S SHARE OF TOTAL PROJECT COST WOULD BE 44 PERCENT.
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17. ESTIMATED TOTAL COST OF TA FOR AERIAL MAPPING IS \$250,000 OF WHICH \$141,000 FOREX. EEC, WHICH HAS AGREED TO ASSIST IN FINANCING OF PROJECT UNDER FINANCING ARRANGEMENTS CONCLUDED WITH BANK ON JAN 7, 1977, HAS AGREED TO FINANCE FOREX COST PLUS \$59,000 OF LOCAL CURRENCY COSTS. EEC SHARE OF FINANCING, AMOUNTING TO \$200,000, WOULD COVER PREPARATION OF AERIAL MAPPING AND PROCUREMENT OF OFFICE AND FIELD EQUIPMENT. GOVT WILL COVER REMAINING LOCAL CURRENCY COSTS OF \$50,000.

18. PROCUREMENT WILL BE IN ACCORDANCE WITH BANK'S GUIDELINES, WITH INTERNATIONAL COMPETITIVE BIDDING FOR EQUIPMENT AND MATERIALS (STEEL PILES, STEEL BARS/ BILLETS AND STEEL GATES/MATERIALS), FARM MACHINERY FOR PILOT DEMONSTRATION FARMS, CASINGS AND PUMPS FOR RURAL WATER SUPPLY, AND VEHICLES. SUPPLY CONTRACTS FOR EQUIPMENT AND MATERIALS, EXCEPT CEMENT AND FUEL, ESTIMATED TO COST LESS THAN \$100,000 TO BE AWARDED ON BAISSE INTERNATIONAL SHOPPING. PROCUREMENT OF CONSTRUCTION MATERIALS SUCH AS CEMENT AND FUELS, MANUFACTURED LOCALLY FROM IMPORTED COMPONENTS AND MATERIALS, WOULD BE LIMITED TO TENDERING AMONG LOCAL SUPPLIERS UNDER STANDARD NIA PROCEDURES. BASED ON IMPORT ELEMENT OF SUCH MATERIALS, UP TO 50 PERCENT OF CONTRACT PRICE OF PROCUREMENT WOULD BE

FINANCED UNDER PROPOSED LOAN. TENDERING OF CIVIL WORKS, WHICH ARE SCATTERED AND OF TYPE IN WHICH LOCAL CONTRACTORS HAVE CONSIDERABLE EXPERIENCE, WILL BE LIMITED TO PREQUALIFIED LOCAL CONTRACTORS. SUCCESSFUL BIDDERS WILL BE REQUIRED TO MAKE MAXIMUM USE OF APPROPRIATE TECHNOLOGY IN SELECTION OF MACHINERY AND EMPLOYMENT OF LABOR.

19. CONSULTANTS FOR TAGO RIVER PROJECT, TO BE SELECTED IN ACCORDANCE BANK'S GUIDELINES, ARE SCHEDULED FOR 60 LIMITED OFFICIAL USE

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MAN-MONTHS, CONSISTING OF IRRIGATION ENGINEER (TEAM LEADER), FLOOD CONTROL/DRAINAGE ENGINEER, AGRONOMIST, AGRICULTURAL ECONOMIST/INSTITUTIONAL EXPERT, AND OTHERS ON SHORT-TERM BASIS AS REQUIRED. MAIN TASK WILL BE TO ASSESS NIA IN PREPARING DETAILED DESIGNS AND TENDER DOCUMENTS, MONITORING AGRICULTURAL DEVELOPMENT AND INSTITUTIONAL ASPECT AND SUPERVISING PROJECT CONSTRUCTION.

20. NIA WILL BE PRINCIPAL EXECUTING AGENCY BOTH FOR TAGO RIVER PROJECT AND FOR RELATED TA'S CONSIDERING EACH IN TURN:

(A) TAGO RIVER PROJECT - NIA WILL BE ASSISTED BY DEPARTMENT OF PUBLIC HIGHWAY (DPH), DEPT OF HEALTH (DOH), AND BUREAU OF PUBLIC WELFARE (BPW). THESE AGENCIES WILL BE RESPONSIBLE FOR IMPLEMENTATION OF PROJECT COMPONENTS IN THEIR RESPECTIVE AREAS OF AUTHORITY AND WILL ENTER INTO APPROPRIATE AGREEMENTS WITH NIA PRIOR TO LOAN EFFECTIVENESS. NIA HAS BEEN EXECUTING AGENCY FOR ALL BANK-ASSISTED LOAN AND TA PROJECTS IN IRRIGATION SECTOR IN PHILIPPINES. ITS ORGANIZATION AND FINANCIAL STATUS ARE CONSIDERED SOUND AND PERFORMANCE ON PREVIOUS PROJECTS HAS BEEN SATISFACTORY. CENTRAL COORDINATING COMMITTEE, CHAIRED BY NIA AND COMPRISING COUNTRY'S PRINCIPAL DEVELOPMENT INSTITUTIONS, OVERSEES ALL IRRIGATION PROJECTS. LOCAL COORDINATING COMMITTEE, HEADED BY GOVERNOR OF SURIGAO DEL SUR AND CONSISTING OF PROVINCIAL LEVEL OFFICERS-IN-CHARGE OF PROJECT ELEMENTS, WILL COORDINATE PROJECT AT PROVINCE LEVEL. PROJECT OFFICE, HEADED BY PROJECT MANAGER ACCEPTABLE TO BANK, WILL BE ESTABLISHED WITHIN 90 DAYS OF SIGNING OF LOAN AGREEMENT. DURING CONSTRUCTION PHASE, PROJECT OFFICE WILL HAVE ENGINEERING, AGRICULTURE, AND ADMINISTRATIVE DIVISIONS. IT WILL CONTINUE TO OPERATE DURING AGRICULTURAL DEVELOPMENT PHASE FOR AT LEAST FOUR YEARS THEREAFTER, WITH ITS ORGANIZATION REORIENTED TO INCLUDE OPERATION AND LIMITED OFFICIAL USE

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MAINTENANCE DIVISION.

(B) MIS II - EXISTING ORGANIZATIONAL AND OPERATIONAL SET-UP OF NIA FOR MIS, WHICH HAS BEEN FOUND SATISFACTORY, WILL BE CONTINUED FOR IMPLEMENTATION OF MIS II. DETAILED TERMS OF REFERENCE FOR CONSULTANTS AND PROCUREMENT LIST FOR OFFICE AND FIELD EQUIPMENT WILL BE FINALIZED IN CONSULTATION WITH BANK.

(C) AERIAL MAPPING - NIA HAS AMPLE EXPERIENCE IN PREPARING AERIAL PHOTOGRAPHY AND TOPOGRAPHIC MAPS FOR PLANNING AND DESIGN OF IRRIGATION PROJECTS. EXISTING MIS OFFICE OF NIA WILL BE RESPONSIBLE FOR PROJECT EXECUTION.

21. DEVELOPMENT OF ABOUT 4,000 HA. OF SECOND-GROWTH FOREST LANDS LOCATED ON RIGHT BANK OF TAGO RIVER WOULD BE UNDERTAKEN BY CORPORATE FARMS, SUGRAINS AGRICULTURAL

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DEVELOPMENT CORP. AND INTEGRAIN AGRICULTURAL DEVELOPMENT CORP., UNDER A RECENT GENERAL ORDER AUTHORIZING SUCH DEVELOPMENT. COSTS OF THIS DEVELOPMENT, ESTIMATED AT \$6.7 MILLION EQUIVALENT, WILL BE BORN BY THE FARMS. IRRIGATION REQUIREMENT OF FARMS HAS BEEN INCLUDED IN

PROJECT'S MAIN AND LATERAL CANALS. FARMS WILL RECEIVE WATER AT LATERAL CANALS AND DISTRIBUTE IT TO THEIR LANDS THROUGH THEIR WON NETWORK OF TERTIARY CANALS. NIA WILL ENTER AGREEMENTS WITH FARMS, IN FORM SATISFACTORY TO BANK, ENSURING THAT DEVELOPMENT OF FARM LANDS IS PROPERLY COORDINATED WITH IMPLEMENTATION OF PROJECT.

22. COMPLETION OF PROJECT CONSTRUCTION, SCHEDULED FOR MID-1982, WILL BE FOLLOWED BY FOUR-YEAR AGRICULTURAL DEVELOPMENT PHASE. NIA WILL FORMULATE BEFORE END-1981 A SPECIFIC AGRICULTURAL DEVELOPMENT PROGRAM ACCEPTABLE TO BANK TO COVER ARRANGEMENTS FOR EXTENSION SERVICES AND CREDIT FACILITIES, FARMERS' ORGANIZATIONS, AND OTHER SUPPORTING SERVICES. MAINTENANCE RESPONSIBILITIES DURING LIMITED OFFICIAL USE

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THIS PHASE WILL DEVOLVE UPON: NIS FOR IRRIGATION FACILITIES INCLUDING FLOOD PROTECTION DIKES; DPH FOR ROADS; VILLAGERS WITH ASSESTANCE FROM DPW FOR WATER SUPPLY FACILITIES. IN ACCORDANCE WITH NIA REGULATIONS, WATER CHARGES WILL BE LEVIED AT RATE OF TWO CAVANS OF PADDY (OWRTH ABOUT \$13) PER HA. FOR WET SEASON CROP, THREE CAVANS FOR DRY SEASON CROP. MISSION CONSIDERS THAT THESE CHARGES WILL COVER FULL COST OF O & M AND ABOUT 38 PERCENT OF CAPITAL COST OF CIVIL WORKS OF PROJECT DURING ITS LIFETIME. AT SUGGESTION OF IBRD, NIS IS UNDERTAKING REVIEW OF WATER CHARGES FOR NATIONAL IRRIGATION SYSTEMS. RESULTS WILL BE SUBMITTED TO BANK UPON COMPLETION.

23. PROPOSED TAGO RIVER PROJECT, LOCATED IN ONE OF LEAST DEVELOPED AREAS OF PHILIPPINES, IS ACCORDED HIGH PROIRITY BY GOVT. ABOUT 4,100 FARM FAMILIES, MOSTLY SMALL FARMERS HOLDING ONE TO THREE ACRES OF LAND, WOULD REALIZE INCREASES IN INCOME FROM ABOUT \$297 TO \$1,270 (IN CASE OF OWNER-OPERATORS), OR \$197 TO \$703 (IN CASE OF LEASEHOLDERS). POOREST 40 PERCENT OF AREA FAMILIES WOULD INCREASE THEIR SHARE OF AREA INCOME FROM 8 TO ESTIMATED 18 PERCENT. PROJECT WOULD RAISE AVERAGE RICE YIELD FROM 1.0 TO 8.5 M.T./HA. RICE PRODUCTION WOULD INCREASE BY 112,000 M.T. OF PADDY ANNUALLY FOR FOREX SAVINGS OF \$12 MILLION. ADDITIONAL EMPLOYMENT TO BE GENERATED ESTIMATED AT 3.4 MILLION MAN-DAYS DURING CONSTRUCTION PERIOD, 2.5 MILLION MAN-DAYS AFTER PROJECT COMPLETION. ECONOMIC RATE OF RETURN, TAKING ACCOUNT ONLY OF IRRIGATION COMPONENT OF PROJECT, IS ESTIMATED AT 17.0 PERCENT. ALTHOUGH NO ATTEMPT HAS BEEN MADE TO QUANTIFY BENEFITS FROM WATER SUPPLY AND HEALTH COMPONENTS OF PROJECT, MISSION BELIEVES THEY WILL BE SUFFICIENT TO JUSTIFY COST OF INVESTMENT.

24. TA FOR MIS II WILL HELP IN PREPARATION OF
MASTER PLAN FOR DEVELOPMENT OF MINDANAO IRRIGATION, AND
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WILL PROVIDE AN OPPORTUNITY FOR TRAINING OF NIA STAFF IN
PREPARATION OF FUTURE PROJECTS. TA FOR AERIAL MAPPING IS
JUSTIFIED AS NECESSARY PREREQUISITE TO SUCCESSFUL IMPLE-
MENTION OF MIS II.

25. USADB SUPPORTS PROJECT, INCLUDING RELATED TA'S, AND
RECOMMENDS FAVORABLE NAC ACTION. U.S. MISSION MANILA
COMMENTS BEING REQUESTED FOR NAC AGENCIES, PURSUANT TO
STATE 119795 DATED 3 JULY 1972.
STULL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IRRIGATION, TECHNICAL ASSISTANCE, PROGRAMS (PROJECTS), LOANS, GRANTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
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Drafter: n/a
Enclosure: DG ALTERED
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: MANILA
Handling Restrictions: n/a
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Line Count: 620
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Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
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Previous Handling Restrictions: n/a
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Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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Review Withdrawn Fields: n/a
SAS ID: 2597393
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE (TA) GRANT FOR TAGO RIVER IRRIGATION PROJECT AND TA FOR AERIAL MAPPING FOR SECOND MINDANAO IRRIGATION STUDY (PHIL
TAGS: EAID, EFIN, ADB
To: STATE
Type: TE
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